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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8

AMENDMENT TO APPLICATION OR REPORT
Filed pursuant to Section 12, 13 or 15(d) of
THE SECURITIES EXCHANGE ACT OF 1934

S 92-2247

REGAN HOLDING CORP.
(Exact name of registrant as specified in charter)

AMENDMENT NO. 1

The undersigned registrant hereby amends the following items, financial statements, exhibits or other portions of its Quarterly Report for period ending September 30, 1991, on Form 10-Q as set forth in the pages attached hereto:

'ITEM 1. FINANCIAL STATEMENTS.'

'ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.'

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ITEM 1

FINANCIAL STATEMENTS

Regan Holding Corp. and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)
($000's Omitted)

Assets	September 30, 1991	December 31, 1990
Investments	$20,513	$16,830
Cash	4,367	500
Investment Income Receivable	503	261
Accounts Receivable	0	77
Receivables from Financial Institutions	3,712	0
Value of Business Acquired	0	1,350
Property and Equipment, Net	2,230	1,286
Goodwill	2,033	2,111
Deferred Policy Acquisition Costs	10,194	0
Other Real Estate Assets	910	0
Other Assets	1,149	186
Separate Account Assets	8,766	0
Total Assets	**$54,377**	**$22,601**
Liabilities and Stockholders' Equity (Net Capital Deficiency)		
Policy Liabilities and Accruals	$33,295	$9,843
Capital Lease Obligations	638	93
Land and Building Payable	0	600
Notes Payable	3,900	4,150
Mortgage Notes Payable	528	0
Accrued and Other Liabilities	2,500	1,265
Deferred Income	256	256
Series B Redeemable Preferred Stock	4,000	4,000
Premiums Received Pending Issuance	2,234	0
Separate Account Liabilities	8,766	0
Total Liabilities	**56,117**	**20,287**
Minority Interest	127	1,231
Commitments and Contingencies		
Common Stock, No Par Value with Put Rights:		
100,000,000 Shares Authorized		
19,550,554 Issued and 22,081,454 Outstanding		
(19,060,705 in 1990)	9,240	3,227
Additional Paid-in Capital	973	91
Unrealized Gains on Investments	475	86
Accumulated Deficit	(11,729)	(2,165)
Deferred Compensation	(826)	(76)
Total Shareholders' Equity (Net Capital Deficiency)	**(1,867)**	**1,163**
Total Liabilities and Shareholders' Equity (Net Capital Deficiency)	**$54,377**	**$22,601**

The accompanying notes are an integral part of these consolidated financial statements.

Regan Holding Corp. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)
($000's Omitted, except per share amounts)

	Three Months Ended September 30,	Three Months Ended September 30,	Nine Months Ended September 30,	Period From Inception (Feb. 21, 1990) to September 30,
	1991	1990	1991	1990
Premiums and Other Revenue Items	$7	$0	$204	$0
Investment Income	1,004	0	1,605	0
Realized Investment Gains	203	0	185	0
Commission on Reinsurance Ceded	0	0	1,636	0
Other	95	3	117	6
Total Income	1,309	3	3,747	6
Benefits, Claims, Losses and Settlement Expenses	706	0	1,146	0
Commissions	9,961	0	11,605	0
General Expenses	5,871	386	9,886	798
Deferred Acquisition Costs	(7,676)	0	(10,194)	0
Interest and Other	250		2,102	
Total Expenses	9,112	386	14,545	798
Loss Before Federal Income Tax Expense and Benefit for Minority Interest	(7,803)	(383)	(10,798)	(792)
Federal Income Tax Expense	0	0	0	0
Loss Before Benefit for Minority Interest	(7,803)	(383)	(10,798)	(792)
Benefit for Minority Interest	883	0	1,234	0
Net Loss	$(6,920)	$(383)	$(9,564)	$(792)
Loss per share:				
Net Loss	$(0.33)	$(0.02)	$(0.47)	$(0.05)
Weighted average number of Shares outstanding	20,720,206	16,908,056	20,286,070	15,376,222

The accompanying notes are an integral part of these consolidated financial statements.

Regan Holding Corp. and Subsidiaries
Condensed Consolidated Statements of Cash Flow
(Unaudited)
($000's Omitted)

	Nine Months ended 9/30/91	Period From Inception (2/21/90) to 9/30/90
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(9,564)	$(792)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities -		
Realized Investment (Gains)	(185)	0
Depreciation and Amortization	307	0
Benefit for Minority Interest	(1,234)	0
Deferred Compensation Expense	177	0
Stock Matching Expense	3,099	0
Write Off of Value of Business Acquired	1,350	0
Crown Life Coinsurance Agreement	(1,459)	0
Modified Coinsurance Agreement	(1,335)	0
Transfer of Cash to Crown Life	(6,711)	0
Change, Net of Assets and Liabilities Acquired or Transferred		
Investment Income Receivable	(242)	0
Accounts Receivable and Other Assets	(885)	(117)
Deferred Policy Acquisition Costs	(3,771)	0
Premiums Received Pending Issuance	2,234	0
Accrued and Other Liabilities	1,122	261
Net Cash (Used In) Operating Activities	$(17,097)	$(648)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of Equity Security Investments	1,740	0
Sale of Fixed Maturity Investments	6,150	0
Net Change in Short-Term Investments	1,573	0
Net Increase In Loans	(40)	0
Purchase of Fixed Maturity Investments	(7,777)	0
Purchase of Reverse Repurchase Agreements	(12,100)	0
Purchase of Other Real Estate	(382)	0
Purchase of GSLH Stock	(45)	(90)
Cash Paid for LifeSurance	0	(109)
Purchase of Property and Equipment	(603)	(164)
Net Cash (Used In) Investing Activities	$(11,484)	$(363)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Receivables from Financial Institution	(5,604)	0
Increase in Liabilities for Future Policy Benefits	35,466	0
Cash from Issuance of Common Stock with Put Rights	2,836	774
Notes Payable	(250)	250
Net Cash Provided By Financing Activities	$32,448	$1,024
Net Increase in Cash	$3,867	$13
CASH, BEGINNING OF PERIOD	500	0
CASH, END OF PERIOD	$4,367	$13

(CONTINUED ON NEXT PAGE)

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Interest Paid	$0	$445
Income Taxes Paid	$0	$0

SCHEDULE OF NONCASH INVESTING ACTIVITIES:

Purchase of Equipment Financed by Capital Leases	$93	$545
Decrease on Loans Due to Crown Life Coinsurance Agreement	$0	$703
Assumption of Real Estate Mortgages	$0	$528

SCHEDULE OF NONCASH FINANCING ACTIVITIES:

Contribution of GSLH Stock for Common Stock	$2,265	$32
Additional Paid-in Capital	$91	$928
Deferred Compensation	$76	$928
Company Stock Purchase Plan	$0	$3,099
Increase in Liabilities for Future Policy Benefits relating to Modified Coinsurance Agreement	$0	$5,326
Decrease in Liabilities for Future Policy Benefits Relating to Crown Life Coinsurance Agreement	$0	$8,574

The accompanying notes are an integral part of these condensed consolidated financial statements.

REGAN HOLDING CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1991

(Unaudited)

1. Basis of Presentation: The accompanying condensed consolidated financial statements of Regan Holding Corp. (the "Company") are unaudited but reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the Company's financial position and results of operations. The condensed consolidated financial statements should be read in conjunction with the Company's 1990 consolidated financial statements together with auditors report.

As discussed in Note 3, effective November 8, 1991, LifeSurance Corporation, a 75.2% owned subsidiary of the Company was merged into LSC Acquisition Corp. At September 30, 1991, the condensed consolidated financial statements do not reflect the Company's 100% ownership of LSC Acquisition Corp. and the elimination of amounts relating to minority shareholders' interests.

Effective August 29, 1991, the name of Kennesaw Life was changed to Old Colony Life Insurance Company.

In order for Old Colony to meet state statutory requirements for solvency of insurers in its domiciliary state, Old Colony must have statutory capital and surplus of $2,500,000. To achieve that amount at December 31, 1991, Old Colony will be required to obtain a letter of credit supporting $2,377,000 of contingent proceeds from the sale of its investment in GSLH stock (Note 11) and the Company must be able to meet its financial obligations, including the requirement to satisfy debt in the amount of $3,200,000 which is secured by certain shares of GSLH stock, from sources other than the proceeds of such sale so that all the proceeds can be applied to Old Colony's capital and surplus. While the Company expects to meet these requirements, there can be no assurance that the Company will be able to accomplish the required actions. If Old Colony does not have sufficient capital and surplus, the Georgia Insurance Department may revoke Old Colony's authority to write business or initiate receivership proceedings.

2. Insurance Agreements: The Company has entered into an arrangement with North American Life and Casualty Company ("NALAC"). Under this arrangement, producers can sell the life and annuity products developed by the Company and issued by NALAC or the Company's operating insurance subsidiary, Old Colony Life Insurance Company ("Old Colony"). The Company services all of its products whether issued by Old Colony or by NALAC, and NALAC pays the Company management and servicing fees under marketing and administrative service agreements. Pursuant to a modified coinsurance agreement between Old Colony and NALAC which closed in December 1991, 75% of NALAC's business from the Company's products are reinsured by Old Colony. Old Colony thereby receives profits on 75% of the premiums and risks associated with this business. At September 30, 1991, Deferred Acquisition Costs of approximately $6,474,000 and Reserves of approximately $5,326,000 relating to 75% of NALAC business

sold through that date have been recorded on the Balance Sheet. Included in Investment Income is $781,000 relating to the modified coinsurance agreement. At September 30, 1991, premiums received by the Company on behalf of NALAC of $5,873,000 are not included in Cash and Payable to NALAC on the Balance Sheet.

The Company, on behalf of NALAC and Old Colony, has negotiated a reinsurance pool with capacity to cover $20 million of joint and last survivor or single life coverage. The pool includes three highly rated insurance carriers: Gerling Global Life Insurance Company and Mercantile & General Reinsurance ("M&G"), Canadian insurers, and Lincoln National Life Insurance Company, an insurer domiciled in the State of Indiana (collectively, the "Reinsurers"). All of the underwriting of health and medical history associated with the Company's life products issued by NALAC and Old Colony is performed by M&G. The agreements with the Reinsurers closed in December 1991.

In June 1991, Old Colony entered into a coinsurance agreement with Crown Life Insurance Company, the United States subsidiary of a Canadian insurer. Under this agreement, Crown Life coinsured substantially all of Old Colony's life insurance policies which were in existence as of December 31, 1990. Pursuant to Georgia law, the assets coinsured were placed in a custodial trust with First Union Bank of Georgia, and will remain in trust as collateral for Old Colony's and Crown Life's obligations under the related insurance policies. Old Colony received a ceding fee of approximately $1,700,000 in connection with this transaction. As a result of this coinsurance transaction, Crown Life is responsible for servicing the subject business, and Crown Life is liable for all of Old Colony's obligations under the related policies. In connection with this agreement, $1,350,000 assigned to the value of this business relating to the acquisition of LifeSurance was charged to Other Expense.

3. Merger: Effective November 8, 1991, LifeSurance Corporation ("LifeSurance"), a 75.2% owned subsidiary of the Company, was merged with and into LSC Acquisition Corp., a wholly-owned subsidiary of the Company. LSC Acquisition Corp. was the surviving corporation in the merger, and the separate existence of LifeSurance ceased upon the effectiveness of the merger. In connection with the merger, the stockholders of LifeSurance (other than the Company) will receive 3.3 shares of Series B Common Stock of the Company in exchange for each share of Common Stock of LifeSurance. In the aggregate, 615,242 shares of the Company's Series B Common Stock will be issued in exchange for 186,437 shares of LifeSurance stock. At September 30, 1991, deferred merger costs of $339,000 are included in Other Assets.

4. Receivables from Financial Institutions. In the second quarter of 1991, Old Colony and NALAC began to accept premium payments pursuant to Section 1035 of the Internal Revenue Code of 1986, as amended. These premium payments typically involve the owner assigning his or her rights to cash value under an existing insurance contract to Old Colony or NALAC to surrender a policy in force with another insurance company. The premium payments also involve exchanges of certificates of deposit or similar instruments, in taxable transactions (for taxable owners), for life insurance policies of Old Colony or NALAC. Because of the time involved for such exchange transactions, policies issued in an exchange are valued based on the amount of money expected to be received from

the policy to be exchanged, with an adjustment made when the actual cash is received. At September 30, 1991, $5,604,000, of such premium payments were recorded as receivables representing the Company's estimate of the proceeds to be received in connection with exchanges in progress. Amounts due are typically received 30 - 180 days after commencement of the exchange process. Of $5,604,000, $1,892,000 relates to Separate Accounts and has been included as Separate Account Assets and the remaining $3,712,000 has been included in Receivables from Financial Institutions. (See Note 6).

5. Premiums Received Pending Issuance. When deposits are received from a customer, they are initially credited to this account until such time as the proposed contract is underwritten and issued. As of September 30, 1991, there was $2,234,000 representing contracts in the process of being underwritten and issued.

6. Separate Accounts: In the third quarter of 1991, Old Colony commenced writing policies through separate accounts, at the election of the owner of the policy. Separate accounts represent assets and liabilities that are maintained by an insurer for purposes of funding fixed-benefit or variable annuity contracts, pension plans and similar activities. The contract holder generally assumes the investment risk, and the insurer receives a fee for investment management, certain administrative expenses, and mortality and expense risks assumed. In the case of contracts issued by Old Colony, the policyholders are charged an administrative fee which is equal to the greater of 2% per year of the cash value or 10% of the rate of annual cash value earnings, subject to a guaranteed minimum return to the policyholders of at least 4% per year. Separate account assets are to be legally segregated from assets which pertain to cash values maintained for policyholders with policies which are not in separate accounts, otherwise known as "general accounts". (See Note 7)

7. Investments The following schedule summarizes the investment portfolio for each class of investments at September 30, 1991. The separate account assets and liabilities are reflected separately on the Balance Sheet.

	Total	General Accounts	Separate Accounts
Fixed maturities, at market value	$10,564,000	$10,564,000	$0
Repurchase Agreements, at cost	12,100,000	5,329,000	6,771,000
Mortgage loans on real estate	30,000	30,000	0
Short-term investments, at cost	2,138,000	2,035,000	103,000
General Services Life Holding Corp. Class B Common Stock, at cost	2,555,000	2,555,000	0
Total investments	$27,387,000	$20,513,000	$6,874,000

Fixed maturity investments are valued at market value. These funds are received from clients and invested based upon the cash value strategy selected by the clients. A significant portion of the cash values pertain to the "Managed Bond Strategy" which involves trading bonds in order to maximize the return on the investment. Since the Company does not intend to hold these bonds until maturity, the bonds are stated at market value.

8. Investment in Real Estate: Included in Property and Equipment at September 30, 1991 is $862,000, relating to the Company's former office facilities, which were acquired effective September 30, 1991 for $700,000, and related improvements. In November 1991, the Company entered into a lease agreement for new office facilities (Note 11). The eventual disposition of the Company's former office facilities have not been determined. Included in Other Real Estate Assets at September 30, 1991 is $240,000 relating to a house in the process of renovation as lodging for out of town visitors and $670,000 relating to a house purchased from a former officer as a result of relocation. In connection with the latter, the Company assumed mortgages in the amount of $528,000.

9. Shareholders' Equity:

Common Stock - At September 30, 1991, the Company had two series of common stock outstanding. The holders of Series A Common Stock are certain of the Company's producers and the holders of Series C Common Stock are individuals who are not producers. The holders of Series B Common Stock, which series was not outstanding at September 30, 1991, are the former shareholders of LifeSurance. (See Note 3). The Series A and C Common Stock are subject to certain rights of redemption in favor of the Company and the sale and other transfer of such stock is restricted by rights of first refusal. The shares also may be put to the Company at their "net present value", as defined, after the owner as held such shares for two years.

Stock Options - During the nine months ended September 30, 1991, employees were issued options to purchase 466,130 shares of the Company's common stock for a purchase price of $0.01 per share, subject to a three year vesting period. The difference between the estimated market value of the stock ($2.00 per share) at the date of grant and the option price is being amortized to expense over the vesting period. During the nine months ended September 30, 1991, $177,000 was recorded as compensation expense relating to options outstanding. During this same period, previously issued options to purchase 40,000 were exercised at $0.01 per share. At September 30, 1991, option to purchase 506,130 shares were outstanding.

Stock Purchase Plan - During the nine months ended September 30, 1991 the Company has recorded compensation expense of $44,000 and commission expense of $3,055,000 relating to 1,538,565 matched shares to be issued to employees and producers pursuant to the Company's stock purchase plan. Under this plan, purchases by employees and producers are matched, within certain limitations, with a purchase by the Company of $1.00 for every $2.00 of stock purchased by the individuals.

Outstanding Shares - Included in outstanding shares at September 30, 1991 are 2,530,900 shares (including 1,520,292 Company matched shares) which were not issued as of September 30, 1991.

Net loss per common share - Net loss per common share has been computed based upon the weighted average number of shares outstanding during the period.

10. Commitments and Contingencies: As part of the Company's agreements with its producers, the Company has committed, under certain circumstances, to purchase the business of its producers and may make loans to its producers to assist their

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business needs. At September 30, 1991, there were no outstanding commitments relating to the above by the Company.

One of the Company's producers generates approximately 50 % of the premiums generated by the Company's producers and the top twenty producer organizations generate in excess of 87 % of such premiums. In the event that one or more of such producers ceased selling the Company's products, the Company might incur a significant decrease in premiums.

11. Subsequent Events: On December 31, 1991 the Company and Aegon USA Inc. ("Aegon") executed a memorandum of understanding setting forth the terms of a settlement of the litigation between the two parties and their affiliates. Pursuant to the agreement, in January 1992, the Company exercised its right to sell the Class B Stock of GSLH to Aegon for gross proceeds of approximately $11,885,000. Pursuant to the agreement, 20 % of the gross proceeds will be held in escrow until finalization of the purchase price per share in early 1994. The Company will receive 80 % of the total gross proceeds, $9,508,000, in early 1992, resulting in a gain of $6,953,000. Upon finalization of the purchase price per share, the Company will receive the remaining proceeds, if any, plus interest. In addition, personal debt payable to Aegon by the Company's primary shareholder, aggregating $621,000 at December 31, 1991, is required to repaid to Aegon prior to the Company receiving final payment in 1994. In connection with this agreement, the Company became liable for this debt. In December 1991, the Company paid $294,000 relating to this debt.

In September 1991, the Company entered into an agreement to purchase United Independent Life Insurance Company, which holds licences in three states in which the Company currently does not hold a licence. In December 1991, the Company entered into an agreement to acquire a Minnesota domiciled insurance company which holds licences in three additional states in which the Company currently does not have a licence. The Company is in process of obtaining regulatory approval with respect to both of the above acquisitions, and expects to receive such approvals during the first quarter of 1992.

In November 1991, the Company entered into a triple net lease for new office space, for an initial term of five years at approximately $15,400 per month. Pursuant to the lease agreement, the Company is required to pay for its own tenant improvement, estimated at approximately $500,000. The Company also has an option to purchase the property.

ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RHC'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Nine-Month Period Ended September 30, 1991

Overview

The Company's results of operations and financial condition as of and for the nine months ended September 30, 1991 are not comparable to the Company's results of operations and financial condition for the period from inception (February 21, 1990) to September 30, 1990 as the latter does not reflect the insurance operations of LSC because the Company did not acquire its 75.2% interest in LSC until November 1990. During the period ended September 30, 1990, the Company's operations were focused on raising capital and assembling a management team, developing products and recruiting Producers. Accordingly, during this period the Company incurred total expenses of $798,000, which reflect start-up and development costs, including salaries, administrative fees, consulting fees and other expenses incurred in locating and purchasing an operating insurance subsidiary and forming the administrative and marketing staff and systems necessary to market and underwrite a new series of insurance and annuity products.

During the nine months ended September 30, 1991, the Company incurred a net loss of $9,564,000 as a result of start up expenses associated with the commencement of the Company's insurance operations and matching stock expense of $3,099,000 relating to employee and Producer stock purchases (including liabilities resulting from increases in value of previously issued shares). At September 30, 1991, the Company had a net capital deficiency of $1,867,000 as a result of aggregate loses of $11,729,000 from inception of the Company on February 21, 1990, resulting in potential liquidity problems for the Company. The Company believes that its expanding insurance operations, the sale of GSLH stock and the proceeds from future stock sales will provide sufficient cash to meet both its current and future requirements. (See "Other Sources of Funds; Subsequent Developments" below.)

Results of Operations

The Company's results of operations for the nine months ended September 30, 1991 reflect a high level of expenses related to the commencement of the Company's insurance operations including the development, marketing and sale of its line of "Pass Through™" life insurance and annuity products.

The Company had a net loss of $9,564,000 for the nine-month period ended September 30, 1991, as compared with a net loss of $[illegible]2,000 for the period from inception to September 30, 1990. The 1991 loss reflects substantial costs related to the Company's design and marketing of a new series of annuity and insurance

products, the hiring of personnel and the development of operational systems. The 1990 results reflect costs incurred while the Company was developing its product line and seeking suitable insurance company acquisitions. On November 3, 1990, the Company acquired 75.2% of LSC which was accounted for using the purchase method of accounting. Accordingly, the results of operations of LSC are not included in the Company's results of operations for the period ended September 30, 1990. The full results of operations of LSC for the nine months ended September 30, 1991 are reflected in the Company's results of operations for this period.

Net Premium income and other revenue items were $206,000 for the nine months ended September 30, 1991. Net Premium income and other revenue primarily consist of revenue associated with Old Colony's life insurance policies which were in existence at December 31, 1990. As discussed below, these policies were coinsured effective June 30, 1991. During 1991, Old Colony and NALAC began selling single premium deferred annuities as well as single premium and scheduled premium whole life insurance policies developed and marketed by the Company. Under the provisions of Financial Accounting Standards Board Statement 97 (FAS 97) while the annuities are in accumulation phase, they are treated as investment contracts. The deposit received from the owner is recorded as a liability and not as premium revenue. Old Colony and NALAC generate income from administrative charges assessed against the cash value of the contract and surrender charges which are applied when a policyholder terminates his contract in the early years. The administrative charge is equal to the greater of 2% per year of the cash value or 10% of annual cash value earnings. (See discussion of minimum guarantees to policyholders under "Products; Interest Rate and Asset Value Fluctuations," below.) During the nine months ended September 30, 1991, administrative charges were not significant. In the future, administrative charges will represent a substantial source of revenue for the Company and are expected to grow with the increase in policy liabilities resulting from the aggressive marketing program which is being conducted by the Company.

Investment income was $1,605,000 for the nine months ended September 30, 1991 and included $781,000 of interest relating to the modified coinsurance agreement with NALAC. The investment portfolio has been restructured and Old Colony has contracted with independent professional money managers in order to minimize its credit risk while at the same time prudently maximizing the return on investments.

Realized investment gains were $185,000 for the nine months ended September 30, 1991. One of the cash value strategies which is offered to policyholders is a "managed bond strategy." This strategy involves trading bonds where appropriate to maximize yield. Realized gains are expected to increase materially with the expected growth in investments associated with the managed bond strategy.

Other income of $117,000 during the nine months ended September 30, 1991 consists primarily of revenue from the sale of training videos.

Commissions on reinsurance ceded were $1,636,000 for the nine months ended September 30, 1991. On June 28, 1991, Old Colony entered into a modified coinsurance agreement with Crown Life Insurance Company, a Canadian insurer ("Crown Life"). Under this agreement, Crown Life coinsured Old Colony's and Crown Life's obligations under certain insurance policies. The commission on reinsurance ceded is equal to the ceding fee of approximately $1.7 million; however, this transaction required the expensing of $1,350,000 in anticipated profit, (reflected as Value of Business Acquired in the Company's Balance Sheet at December 31, 1990) which was recorded in 1990 in connection with the purchase of LSC.

Benefits, claims, losses and settlement expenses were $1,146,000 for the nine months ended September 30, 1991. This amount includes net reserve additions of $504,000. Deferred acquisition costs were $10,194,000 for the nine months ended September 30, 1991. This amount is net of amortization expense of $51,000. An insurance company's expenses with respect to an insurance policy or annuity contract -- consisting of the selling agent's commission, the costs of processing the application and making any necessary underwriting decisions -- are typically incurred prior to or upon the issuance of the policy or contract. FAS 97 permits the deferral of certain of these expenses. A substantial amount of Old Colony policies and contracts were sold in the first nine months of 1991, and the $10,194,000 in deferred acquisition costs represent deferrable commissions and general expenses related to these policies and contracts.

Commissions were $8,550,000 for the nine months ended September 30, 1991, excluding $3,055,000 in matching stock expense to Producers. This parallels the growth in Premium revenues during the period.

General expenses were $9,886,000 for the nine months ended September 30, 1991. The Company has incurred substantial expenses in connection with moving its operations to Petaluma, California, changing the strategic direction of Old Colony and developing and marketing the Company's new product lines.

Interest expense was $721,000 during the nine months ended September 30, 1991, consisting primarily of $360,000 relating to the Series B Redeemable Preferred Stock and $351,000 relating to the $3,900,000 note payable arising from the purchase of LSC.

Other expense consisted primarily of the write off of the $1,350,000 of Value of Business Acquired in connection with the Crown Life coinsurance agreement.

Products: Interest Rate and Asset Value Fluctuations

The products developed by RHC allow a policyholder or contract owner to allocate premiums to one or more cash value strategies. There are two general categories of strategies. Amounts allocated to strategies in the first category are guaranteed to earn a return at an annual rate equal to the greatest of: (i) the rate of return earned on the assets invested by the issuing company under the relevant strategy; (ii) a rate declared each month that will be credited during the following one-year period to all premiums allocated to the relevant strategy during that month; and (iii) 4%. If the applicable rate is that described in (i) or (ii) above, it is applied to the cash value allocated to the relevant strategy after the deduction of a charge (the "Administrative Charge") equal to the greater of 2% of such cash value and 10% of the amount earned on assets invested in the relevant strategy. The 4% rate described in (iii) is applied to the amount of premiums paid without regard to the Administrative Charge. Amounts allocated to strategies in the second category (the "CD Strategies") are guaranteed to earn a specified rate of return over a selected period (currently one, three or five years) without regard to the Administrative Charge. RHC products provide a minimum surrender guarantee of the amount of premiums paid less any loads and withdrawals, and before any surrender charge, plus interest accumulated at 4% from policy inception.

In general, RHC management believes that its products are less sensitive, from a profitability standpoint, to fluctuations in interest rates and asset values than comparable products issued by the majority of life insurance companies. With respect to interest rate fluctuations, the cash value strategies other than the CD Strategies generally ensure that the issuing company will receive the Administrative Charge regardless of the return earned on investments under such strategies, subject to the risk of earning sufficient income to meet the annual guaranteed rate. However, the Company has the ability to guarantee a current rate based on reasonable market assumptions and subject to annual adjustment; for higher returns, a contract holder looks to the Pass Through feature of the policy. While the receipt of the Administrative Charge is subject to the 4% guarantee described above, for which the Company is at risk, it provides a significant protection to the issuing insurance company against interest rate fluctuations.

With respect to asset value fluctuations, the surrender values in excess of the minimum surrender guarantee for many of RHC's products are adjusted to reflect fluctuations in the market value of the assets supporting those surrender values and a policyholder surrendering his or her policy will, as a result, generally receive a sum which represents no more than the current value of those assets or the minimum amount guaranteed by the insurer, which may be significantly higher. Therefore, as interest rates increase, and the value of fixed-rate assets decreases, the surrendering policyholder rather than RHC will initially bear the losses, and

for the same reason such policyholder will have the benefit of significant gains arising from interest rate declines. To the extent the market value of assets supporting its policies may fall below the cash values of such policies after giving effect to the 4% minimum annual rate of return, the issuing company is vulnerable to losses from excessive surrenders. This potential exposure is at its maximum in the early years of any set of policies, and the early surrender charges on most of the policies developed by RHC are designed to deter excessive early surrenders.

The products developed by RHC allow a policyholder to select one or more cash value strategies ranging from extremely conservative to more aggressive; the issuing company must match its investments to achieve the return credited to policyholders. However, in strategies pursuant to which a policyholder may select primarily non-investment grade securities, the Company limits the amount any such policyholder may invest in such strategies to 50% of the cash values of such policyholder's policies. Further, under the Company's investment policies, the value of the non-investment grade securities in the issuing company's portfolio may not exceed 20% of the aggregate value of the portfolio.

The fixed maturity securities contained in RHC's general account portfolio had Standard and Poor's quality ratings ranging from AAA to non-rated. (See "BUSINESS OF RHC - Investment Policies of RHC.") As of December 31, 1990 and December 31, 1991, respectively, total general account assets included 18% and 24% of non-investment grade securities. The commonly accepted definition of investment grade is a quality rating of BBB- or above. Non-investment grade securities have a higher degree of risk of default and as a result they also generate a higher yield. In the event of default, the market value of the security could decline and RHC could incur a loss on the transaction in excess of the market value adjustment described above.

The Life Companies make extensive use of collateralized mortgage obligations, certain related derivative products, such as inverse floaters, and reverse repurchase agreements in connection with its CD, fixed income and real estate related strategies. These instruments are highly volatile in relation to changes in rates of interest and involve significant market risks. (See "BUSINESS OF RHC - Investment Policies of RHC.")

Liquidity and Capital Resources

During the nine months ended September 30, 1991, RHC received cash of $32,448,000 from financing activities. The principal source of cash for the Company was the sale of its annuity products, which resulted in net cash of $29,862,000. Of the remaining amount, $2,836,000 was the result of the sale of common stock, primarily to the Company's Producers. At September 30, 1991 RHC had aggregate debt consisting of notes payable and redeemable preferred stock in the amount of $7,900,000 which was incurred in connection with the acquisition of LSC in 1990. Other notes

payable in the amount of $250,000 were repaid during the period. At September 30, 1991 the Company had no additional borrowings or available lines of credit.

During the nine months ended September 30, 1991, RHC used $17,097,000 of cash in operating activities and $11,484,00 in investing activities. Management believes that due to the Company's anticipated growth and associated start up costs it will continue to require cash to support its operations in the near future.

Of the $11,484,000 used in investing activities, $10,454,000 related to the purchase of investments to support its life insurance policies and annuities. Of the remaining $1,030,000, $603,000 related to the purchase of property and equipment, $382,000 to the purchase of other real estate assets and $45,000 to the purchase of additional shares of common stock of GSLH. During the nine months ended September 30, 1991, RHC was able to finance the purchase of $545,000 of equipment through capital leases and anticipates that it will continue to finance the majority of such purchases through capital leases in the near future. In connection with the Company's move to new office facilities in November 1991, leasehold improvements in the amount of approximately $500,000 will be required to be paid for in cash. In addition, it is anticipated that cash of approximately $200,000 will be used on remodeling certain of the Company's other real estate assets.

Invested assets at September 30, 1991 were $27,387,000 whereas policy liabilities were $42,061,000. The excess of policy liabilities over invested assets of $14,674,000 is not unusual and does not necessarily indicate any financial deficiency. At September 30, 1991, actual invested and investable funds (investment income receivable, receivables from financial institutions and cash, less accounts payable) were $35,361,000 and Deferred Acquisition Costs were $10,194,00. Total policy liabilities (excluding policy liabilities relating to NALAC business as NALAC holds the assets) were $38,969,000, compared to estimated statutory policy liabilities of $35,400,000. Management expects that interest earned on invested and investable funds plus interest implicit in the amortization of deferred policy acquisition costs will be sufficient to cover interest accruable on policy liabilities. In addition, surrender charges will represent significant sources of revenue to also cover interest accruable on policy liabilities.

The Company's cash position increased by $3,867,000 to $4,367,000 during the nine months ended September 30, 1991. The increase represents the high level of annuity and insurance products sold during the period. However, the commissions and sales expenses associated with this increased level of sales have caused a reduction in the Company's surplus as reported at September 30, 1991, for regulatory purposes. This rapid growth of the Company may require the Company to seek coinsurance arrangements with other insurers in order to support the growth and

meet statutory capital and surplus requirements of the regulatory authorities that have jurisdiction over the Company's insurance subsidiaries. The Company believes such arrangements, together with any necessary debt financing will be sufficient to meet its working capital needs during and after the next 12 months. It is management's preference, however, to meet such working capital needs through additional stock sales.

In order to enhance the capital position of Old Colony and to dispose of Old Colony's existing block of in-force life insurance policies which were not compatible with the products developed by RHC, on June 28, 1991, Old Colony's life insurance policies in force as of the acquisition of Old Colony by RHC were coinsured. (See "Results of Operations," above.)

The Company is currently considering whether to enter into coinsurance arrangements with other major reinsurers. This is a routine procedure for life insurance companies which are growing rapidly. Substantial operating costs are being incurred in connection with launching the new product line and the Company anticipates generating statutory operating losses for the next one or two years until it achieves desired premium volume objectives. The coinsurance arrangements would be intended to support the Company's growth and allow the Company to meet its liquidity requirements and enable Old Colony to maintain statutory capital and surplus which is in excess of the amounts required by the regulatory authorities in the states in which Old Colony is licensed.

The Company's ability to draw on resources from its insurance subsidiaries for purposes of paying dividends on its obligations may be limited by insurance regulations in the states in which the subsidiaries do business; such regulations may limit the ability of the subsidiaries to make distributions to the Company. (See "INSURANCE COMPANY REGULATION - Dividends.")

In order for Old Colony to meet state statutory requirements for solvency of insurers in its domiciliary state, Old Colony must have capital and surplus determined under statutory accounting principles of $2,500,000. To achieve that amount at December 31, 1991, Old Colony will be required to obtain a letter of credit supporting $2,377,000 of contingent proceeds from the sale of its investment in GSLH stock and the Company must be able to meet its financial obligations, including the requirement to satisfy debt in the amount of $3,200,000 which is secured by certain shares of GSLH stock, from sources other than the proceeds of such sale so that all proceeds can be applied to Old Colony's capital and surplus. While the Company expects to meet these requirements, there can be no assurance that the Company will be able to accomplish the required actions. If Old Colony does not have sufficient capital and surplus, the Georgia Insurance Department may revoke Old Colony's authority to write business or initiate receivership proceedings.

Other Sources of Funds; Subsequent Developments

The Company expects to generate additional funds from the sale of common and preferred stock to employees, Producers and other investors and from fees generated from marketing and servicing agreements with NALAC. Since February of 1990, the Company has been the beneficial owner of 1,829,555 shares of GSLH contributed to the Company by John and Lynda Regan and others in exchange for stock of RHC. These shares were recorded at a value of $2,557,000. RHC subsequently contributed these shares to the capital of Old Colony. The Georgia Insurance Department challenged the inclusion of these shares as an Admitted Asset in connection with its examination of the Company as of December 31, 1990. However, in connection with the settlement of litigation between GSLH, the Regans and other parties, GSLH repurchased these shares for an aggregate price of approximately $11,885,000 in February 1992. Of this amount, $9,508,000 becomes immediately available to the Company and the remainder will be held in escrow pending certain contingencies. Upon closing the sale, this transaction will produce a gain for the Company of $6,953,000 (which may be increased depending upon the contingencies referred to above) in 1992, and an increase in the capital and surplus of Old Colony.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

REGAN HOLDING CORP.

February 7, 1992

By _____
R. Larry Wallnock
Chief Financial Officer

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

REGAN HOLDING CORP.

February __, 1992

By _____
R. Larry Warnock
Chief Financial Officer

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

REGAN HOLDING CORP.

February 13, 1992

By R. Larry Warlock
R. Larry Warlock
Chief Financial Officer

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